

**TOWNSHIP OF PITTSFORD
HILLSDALE COUNTY, MICHIGAN**

AUDIT REPORT

MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name PITTSFORD TOWNSHIP	County HILLSDALE
Fiscal Year End 03/31/06	Opinion Date 11/03/06	Date Audit Report Submitted to State 11/09/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

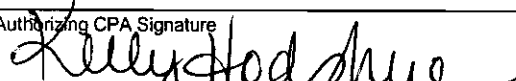
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, P.C.		Telephone Number 517-849-2410	
Street Address 479 E. CHICAGO ROAD		City JONESVILLE	State MI
Zip 49250			
Authorizing CPA Signature 		Printed Name KELLY S. HODSHIRE	License Number 1101020992

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Bailey, Hodshire
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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Pittsford
Hillsdale County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Pittsford as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Pittsford's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Pittsford as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2006.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 19 through 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Pittsford's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bailey, Hadshue + Company PC

November 3, 2006
Jonesville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF PITTSFORD

This section of Pittsford Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements which follow this section.

Financial Highlights

The following represents the most significant financial highlights for the year ended March 31, 2006:

- The assets of the Township exceeded its liabilities at March 31, 2006 by \$1,299,990 (net assets). Of this amount, \$91,442 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets decreased by \$69,928.
- As of March 31, 2006, the Township's governmental funds reported combined ending fund balances of \$91,442, a decrease of \$22,495. The entire amount is available for spending at the government's discretion (unreserved fund balance).

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps explain the condition of the Township. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the table below shows the net assets of the Township as of the end of the year. Since this is the first year for which the Township adopted the provisions of GASB Statement No. 34, comparative data is not required. In future years, such information will be presented for the current and preceding year:

TABLE 1 - NET ASSETS

Assets:

Current Assets	\$ 95,268
Capital Assets (net of depreciation)	<u>1,208,548</u>
Total Assets	<u>\$1,303,816</u>

Liabilities:

Current Liabilities	\$ 3,826
Long-term Liabilities	<u>0</u>
Total Liabilities	<u>\$ 3,826</u>

Net Assets:

Invested in Capital Assets, net of related debt	\$1,013,869
Invested in Joint Venture	194,679
Restricted	0
Unrestricted	<u>91,442</u>
Total Net Assets	<u><u>\$1,299,990</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF PITTSFORD

The following table shows the changes in the net assets during the year:

TABLE 2 - CHANGE IN NET ASSETS

Program Revenue:	
Charges for services	\$ 115,895
Operating Grants and Contributions	23,088
Capital Grants and Contributions	5,228
General Revenue:	
Property tax	30,263
State shared revenue	113,158
Unrestricted investment earnings	997
Other	<u>24,031</u>
Total Revenue	<u>\$ 312,660</u>
Expenses:	
General Government	\$ 118,478
Public Safety	98,780
Public Works	22,193
Culture & Recreation	52,103
Depreciation - Unallocated	<u>91,034</u>
Total Expenses	<u>\$ 382,588</u>
DECREASE IN NET ASSETS	<u>\$ (69,928)</u>

The Township's net assets remain healthy.

Governmental Activities

Total revenues for the year were increased due to administrative fees on property taxes now being charged and other new miscellaneous sources of revenue. Expenses were decreased primarily because of fewer road projects being completed in the fiscal year. During the year, the Township Board continued to monitor the revenues and expenditures.

The Township's Funds

The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund and the Library Fund.

The General Fund pays for most of the Township's governmental services. The most significant are road work, and fire protection; these areas incurred expenses of \$64,000 in 2006.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budgets to take into account events during the year. The most significant was increases in road work of \$18,372 because the County Road Commission did some gravel patching that was not contracted. The Road Commission allowed the Township to pay the

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF PITTSFORD

General Fund Budgetary Highlights (continued)

invoice in two payments with no interest charged due to the misunderstanding. Fire protection costs that were budgeted also had to be increased because the contract with the Hudson City Fire Department was higher than expected. There was also an increase in the salary of the zoning administrator.

Capital Asset and Debt Administration

The Township's only investment in capital assets during the year was a laptop, projector and camera for the library for \$4,986 which was purchased with grant money. There was a continued investment in the roads within the Township. The road work is done with the cooperation of the Hillsdale County Road Commission which performs (or contracts) the work and shares the costs. This infrastructure is not reported on the Township's financial statements because the roads are not the property of the Township. Details of the Township's capital assets are continued in the notes to the financial statements on page 16.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2006/2007 is based on similar revenues as was for year ended March 31, 2006, plus a small rate of inflation increase. However, because of the impact of the State-shared revenue cuts, the Township will continue to watch its budget very close.

The Township has already had additional election expenditures for the 2006/2007 year due to recall elections. Election costs will also be higher because of required updating to the voting area, reprogramming costs of election software, and increased election inspector pay. The Township now charges a 1% fee on property tax collections. Large expenditures are also paid quarterly instead of annually to help with cash flow. No road projects for the 2006/2007 year have been authorized.

The Township has a long-term plan to establish the hall as a historical landmark.

Contacting the Township's Management

This Financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF PITTSFORD
STATEMENT OF NET ASSETS
MARCH 31, 2006

ASSETS

Cash & investments	\$ 92,777
Taxes receivable	2,491
Investment in Joint Venture	194,679
Capital assets - net	<u>1,013,869</u>
Total assets	<u>\$1,303,816</u>

LIABILITIES

Accounts payable	\$ 1,859
Payroll taxes payable	195
Deferred revenue	<u>1,772</u>
Total liabilities	<u>\$ 3,826</u>

NET ASSETS

Investment in capital assets, net of related debt	\$1,013,869
Investment in Joint Venture	194,679
Unrestricted	<u>91,442</u>
Total net assets	<u>\$1,299,990</u>
Total liabilities and net assets	<u>\$1,303,816</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General Government	\$ 118,478	\$ 21,340	\$ 0	\$ 0	\$ (97,138)
Public Safety	98,780	94,555	0	0	(4,225)
Public Works	22,193	0	0	0	(22,193)
Culture & Recreation	52,103	0	23,088	5,228	(23,787)
Depreciation (unallocated)	<u>91,034</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(91,034)</u>
Total	<u>\$ 382,588</u>	<u>\$ 115,895</u>	<u>\$ 23,088</u>	<u>\$ 5,228</u>	<u>\$ (238,377)</u>

General Revenues:

Property tax, levied for general purposes	\$ 30,263
State shared revenue	113,158
Unrestricted investment earnings	997
Other	<u>24,031</u>

Total General Revenues \$ 168,449

Change in Net Assets \$ (69,928)

Net Assets - Beginning 1,369,918

Net Assets - Ending \$ 1,299,990

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash & investments	\$ 64,865	\$ 27,912	\$ 92,777
Taxes receivable	2,239	0	2,239
Due from agency fund	<u>252</u>	<u>0</u>	<u>252</u>
Total assets	<u>\$ 67,356</u>	<u>\$ 27,912</u>	<u>\$ 95,268</u>
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 735	\$ 1,124	\$ 1,859
Payroll taxes payable	0	195	195
Deferred revenue	<u>0</u>	<u>1,772</u>	<u>1,772</u>
Total liabilities	<u>\$ 735</u>	<u>\$ 3,091</u>	<u>\$ 3,826</u>
 Fund Equity:			
Fund Balance			
Reserved	\$ 0	\$ 0	\$ 0
Unreserved/Undesignated	<u>66,621</u>	<u>24,821</u>	<u>91,442</u>
Total fund equity	<u>\$ 66,621</u>	<u>\$ 24,821</u>	<u>\$ 91,442</u>
Total liabilities and fund equity	<u>\$ 67,356</u>	<u>\$ 27,912</u>	<u>\$ 95,268</u>

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to the Net Assets of Governmental Activities on the Statement of Net Assets

Fund Balances - total governmental funds	\$ 91,442
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	1,631,268
Deduct: accumulated depreciation	(617,399)
The investment in the joint venture Fire Department is reported in the government - wide financial statements	<u>194,679</u>
Net assets of governmental activities	<u>\$1,299,990</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
MARCH 31, 2006

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE			
Property taxes	\$ 30,263	\$ 0	\$ 30,263
State shared revenue	108,061	5,097	113,158
Contributions from other townships	0	5,600	5,600
Charges for services	17,440	0	17,440
Penal fine income	0	22,084	22,084
Interest income	180	817	997
Contributions	0	1,004	1,004
Cemetery receipts	3,900	0	3,900
Rent income	4,800	0	4,800
Grant income	0	5,228	5,228
Miscellaneous	<u>11,993</u>	<u>1,638</u>	<u>13,631</u>
Total revenue	<u>\$ 176,637</u>	<u>\$ 41,468</u>	<u>\$ 218,105</u>
EXPENDITURES			
General government	\$ 84,978	\$ 0	\$ 84,978
Public safety	42,840	0	42,840
Public works	22,193	0	22,193
Recreation and culture	<u>3,399</u>	<u>53,690</u>	<u>57,089</u>
Total expenditures	<u>\$ 153,410</u>	<u>\$ 53,690</u>	<u>\$ 207,100</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 23,227</u>	<u>\$ (12,222)</u>	<u>\$ 11,005</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 0	\$ 7,400	\$ 7,400
Transfers out	<u>(7,400)</u>	<u>0</u>	<u>(7,400)</u>
Total other financing sources (uses)	<u>\$ (7,400)</u>	<u>\$ 7,400</u>	<u>\$ 0</u>
OTHER TRANSACTIONS			
Payment on loan	\$ (31,179)	\$ 0	\$ (31,179)
Interest on loan	<u>(2,321)</u>	<u>0</u>	<u>(2,321)</u>
Total other transactions	<u>\$ (33,500)</u>	<u>\$ 0</u>	<u>\$ (33,500)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (17,673)</u>	<u>\$ (4,822)</u>	<u>\$ (22,495)</u>
FUND BALANCES - BEGINNING	<u>84,294</u>	<u>29,643</u>	<u>113,937</u>
FUND BALANCES - ENDING	<u>\$ 66,621</u>	<u>\$ 24,821</u>	<u>\$ 91,442</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Net changes in fund balances - total governmental funds \$ (22,495)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	4,986
Deduct: depreciation expense	(91,034)

Net gain from the joint venture Fire Department is not recorded in the fund financial statements, but is recorded in the government-wide financial statements

38,615

Change in net assets of governmental activities	<u>\$ (69,928)</u>
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The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
MARCH 31, 2006

ASSETS

Cash

\$ 252

LIABILITIES

Due to Township General Fund

\$ 252

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Pittsford is located in Hillsdale County, Michigan, and comprises a population of approximately 1,600 residents. It is governed by a board consisting of 5 members with a supervisor as its head.

The accounting policies of the Township of Pittsford conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the GASB approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:
A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.

Financial Statements prepared using full accrual accounting for all of the Township's activities, including fixed assets (buildings, equipment, vehicles, etc.)

- A change in the fund financial statements to focus on major funds.

The Township has elected to implement the provisions of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

The following is a summary of significant accounting policies used by the Township of Pittsford:

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

Financial Statement Presentation

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Township reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Library Fund- established as a special revenue fund to account for the revenue and expenditures associated with the operation of the Library.

Additionally, the Township reports the following fund type:

Fiduciary Fund/Trust and Agency Fund

Tax Collection Fund - used to account for property taxes collected from residents on behalf of the Township along with other governmental units in the county. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and investments are reported at cost.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. These assets are considered to have a useful life of more than one year.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Township maintains a capitalization threshold of \$500. The Township does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	50 years
Furniture & Fixtures	20 years
Equipment	15 years
Technology	5 years
Books	7 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net assets.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Township Board proposes an operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, due primarily to audit adjustments, as follows:

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Township Board	5,146	5,349	203
General Fund	Board Misc. Exp	870	889	19
General Fund	Clerk Office Exp	675	720	45
General Fund	Elections	100	155	55
General Fund	Sewage Disposal	0	12,324	12,324
General Fund	Other Transactions	0	33,500	33,500

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2006, the Township's deposits are in accordance with statutory authority.

Deposits

Following are the components of the Township's bank deposits at March 31, 2006:

Checking Accounts	\$ 73,502
Savings Accounts	6,522
Certificates of Deposit	<u>12,753</u>
Total	<u>\$ 92,777</u>

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Custodial credit risk of deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. At March 31, 2006, the carrying amount of the Township's deposits was \$92,777 and the bank balance was \$93,401. The entire \$93,401 was covered by federal depository insurance. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

There were no investments held during the year.

NOTE 4 - RECEIVABLES

Receivables at March 31, 2006, consist of property taxes and are considered collectible in full.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 56,785	\$ 0	\$ 0	\$ 56,785
Capital assets being depreciated				
Buildings & Improvements	\$1,116,067	\$ 0	\$ 0	\$1,116,067
Furniture & Equipment	79,101	4,986	0	84,087
Books	<u>374,329</u>	<u>0</u>	<u>0</u>	<u>374,329</u>
Subtotal	<u>\$1,569,497</u>	<u>\$ 4,986</u>	<u>\$ 0</u>	<u>\$1,574,483</u>
Less accumulated depreciation for				
Buildings & Improvements	\$ (434,887)	\$ (27,602)	\$ 0	\$ (462,489)
Furniture & Equipment	(38,002)	(9,956)	0	(47,958)
Books	<u>(53,476)</u>	<u>(53,476)</u>	<u>0</u>	<u>(106,952)</u>
Subtotal	<u>\$ (526,365)</u>	<u>\$ (91,034)</u>	<u>\$ 0</u>	<u>\$ (617,399)</u>
Total capital assets				
being depreciated, net	<u>\$1,043,132</u>	<u>\$ (86,048)</u>	<u>\$ 0</u>	<u>\$ 957,084</u>
Total capital assets, net	<u>\$1,099,917</u>	<u>\$ (86,048)</u>	<u>\$ 0</u>	<u>\$1,013,869</u>

Total depreciation expense for the year was \$91,034.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at March 31, 2006, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 252	Tax Collection Fund	\$ 252

Interfund transfers during the year consisted of the following:

Transfers from Tax Collection Fund to General Fund	\$ 39,856
--	-----------

The amount due to General Fund from the Tax Collection Fund represents Township property taxes that have been collected but not yet transferred to General Fund.

NOTE 7 - DEFERRED REVENUE

The Library Fund had \$1,772 in deferred revenue as of March 31, 2006. This balance represents grant money received as of March 31, 2006, but not yet spent.

NOTE 8 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2005 was .7475 mills for general operations on a total state taxable valuation of approximately \$39,969,215. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 10 - UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 11 - RESTATEMENTS

As of and for the year ended March 31, 2006, the Township implemented the following Governmental Accounting Standards Board pronouncements:

Statements

No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*

No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*

No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

No. 38 - *Certain Financial Statement Disclosures*

Interpretations

No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

As a result of implementing these pronouncements for the year ended March 31, 2006, the following restatements were made to the beginning fund balance and net asset accounts:

Fund Balances of General and Library Funds as of March 31, 2005	\$ 113,937
Add: governmental capital assets as of March 31, 2005	1,626,282
investment in the joint venture fire department as of March 31, 2005	156,064
Deduct: accumulated depreciation as of March 31, 2005, on the above governmental assets	<u>(526,365)</u>
Governmental net assets, restated, as of March 31, 2005	<u>\$1,369,918</u>

NOTE 12 - JOINT VENTURE

The Township is a participant in a joint venture agreement with the Township of Jefferson for the operation of the Pittsford Jefferson Fire Department (the "Department"). In accordance with the provisions of Governmental Accounting Standards Board No. 14, the joint venture results from the ongoing financial responsibility of the Department's operations agreed to by the municipalities pursuant to the contractual agreement. Each Township appoints two members of the five member Fire Board which oversees the operations. The Townships each have a 50 percent ownership in the venture. Each Township's percentage share of the annual operating and maintenance expenses is determined by dividing the number of sections within the Township which are receiving fire department services by the total number of sections in all Townships receiving said services.

The Fire Department reported revenue in excess of expenditures in the amount of \$77,230 for its year ended March 31, 2006. Pittsford Township has reported \$38,615 (50%) of the revenue over expenditures in its Statement of Activities. The Township's investment in the joint venture is reported in the Statement of Net Assets in the amount of \$194,679 as of March 31, 2006. We also conducted the audit of the Fire Department's financial statements as of March 31, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF PITTSFORD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of year fund balance	\$ 84,294	\$ 84,294	\$ 84,294	\$ 0
Resources (inflows)				
Property taxes	31,265	36,110	30,263	(5,847)
State shared revenue	102,000	105,525	108,061	2,536
Charges for services	4,700	4,700	17,440	12,740
Interest income	0	0	180	180
Cemetery receipts	0	0	3,900	3,900
Rent income	4,800	4,800	4,800	0
Miscellaneous	<u>3,460</u>	<u>6,110</u>	<u>11,993</u>	<u>5,883</u>
Amounts available for appropriation	<u>\$ 230,519</u>	<u>\$ 241,539</u>	<u>\$ 260,931</u>	<u>\$ 19,392</u>
Charges to appropriations (outflows)				
General Government				
Township Board				
Salaries	\$ 2,448	\$ 2,448	\$ 2,448	0
Other expenses	6,552	5,146	5,349	203
Payroll tax	2,829	2,829	2,127	(702)
Insurance and bonds	11,600	11,600	11,294	(306)
Miscellaneous	750	870	889	19
Supervisor				
Salary	5,300	5,300	5,300	0
Office expense	1,100	450	125	(325)
Zoning	5,000	4,000	3,011	(989)
Clerk				
Salary	8,300	8,300	8,300	0
Deputy	625	625	625	0
Office expense	325	675	720	45
Land Division Administration	700	700	650	(50)
Treasurer				
Salary	8,300	8,300	8,300	0
Deputy	625	625	625	0
Office expense and printing	4,575	4,575	4,275	(300)
Assessor				
Contract services	10,000	12,000	11,871	(129)
Elections	200	100	155	55

TOWNSHIP OF PITTSFORD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
Building and grounds	\$ 725	\$ 2,607	\$ 2,605	\$ (2)
Cemetery maintenance	4,000	4,000	3,985	(15)
Sewage disposal	0	0	12,324	12,324
Public Safety				
Fire protection	39,000	41,957	41,957	0
Planning commission	1,400	1,400	883	(517)
Public Works				
Roads, drains, street lighting	13,000	22,367	22,193	(174)
Culture and Recreation	5,200	3,700	3,399	(301)
Capital Outlay	0	0	0	0
Transfers to other funds	7,400	7,400	7,400	0
Other transactions	<u>0</u>	<u>0</u>	<u>33,500</u>	<u>33,500</u>
Total charges to appropriations	<u>\$ 139,954</u>	<u>\$ 151,974</u>	<u>\$ 194,310</u>	<u>\$ 42,336</u>
End of year fund balance	<u>\$ 90,565</u>	<u>\$ 89,565</u>	<u>\$ 66,621</u>	<u>\$ (22,944)</u>

TOWNSHIP OF PITTSFORD
BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of year fund balance	\$ 29,643	\$ 29,643	\$ 29,643	\$ 0
Resources (inflows)				
State shared revenue	5,000	5,000	5,097	97
Contributions from townships	5,600	5,600	5,600	0
Penal fine income	26,000	26,000	22,084	(3,916)
Interest income	40	40	817	777
Contributions	1,000	1,000	1,004	4
Grant income	0	0	5,228	5,228
Miscellaneous income	400	400	1,638	1,238
Transfers from other funds	<u>7,400</u>	<u>7,400</u>	<u>7,400</u>	<u>0</u>
Amounts available for appropriation	<u>\$ 75,083</u>	<u>\$ 75,083</u>	<u>\$ 78,511</u>	<u>\$ 3,428</u>
Charges to appropriations (outflows)				
Recreation and culture	<u>\$ 47,570</u>	<u>\$ 54,570</u>	<u>\$ 53,690</u>	<u>\$ (880)</u>
Total charges to appropriations	<u>\$ 47,570</u>	<u>\$ 54,570</u>	<u>\$ 53,690</u>	<u>\$ (880)</u>
End of year fund balance	<u>\$ 27,513</u>	<u>\$ 20,513</u>	<u>\$ 24,821</u>	<u>\$ 4,308</u>

TOWNSHIP OF PITTSFORD
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
MARCH 31, 2006

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Township Board	5,146	5,349	203
General Fund	Board Misc. Exp	870	889	19
General Fund	Clerk Office Exp	675	720	45
General Fund	Elections	100	155	55
General Fund	Sewage Disposal	0	12,324	12,324
General Fund	Other Transactions	0	33,500	33,500

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF PITTSFORD
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2006

	Balance <u>April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2006</u>
ASSETS				
Cash	\$ 0	\$ 917,766	\$ 917,514	\$ 252
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Due to Other Funds	\$ 0	\$ 40,108	\$ 39,856	\$ 252
Due to County	0	471,385	471,385	0
Due to State	0	3,785	3,785	0
Due to Schools	0	397,337	397,337	0
Due to Other Govt. Units	<u>0</u>	<u>5,151</u>	<u>5,151</u>	<u>0</u>
	\$ 0	\$ 917,766	\$ 917,514	\$ 252
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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November 3, 2006

To the Supervisor and
Members of the Township Board
Township of Pittsford

In connection with our audit of the Township of Pittsford for the year ended March 31, 2006, we would like to make the following comments and recommendations:

1. There are a few accounts that had expenditures in excess of budgeted amounts, which is a violation of State budgeting laws. Although the variances were primarily caused by audit adjustments, we recommend that all budgets be reviewed and amended as necessary to prevent over-expenditure in any line item.
2. Forms 1099 were prepared incorrectly for services provided to the Township by independent contractors. The forms should be completed using the box labeled nonemployee compensation and not the box labeled other income. This change does not effect the Township's financial information, but does effect the recipient's tax reporting.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

Bailey, Hodshire & Company PC

Bailey, Hodshire & Company, P.C.